



Los Angeles County
Department of Regional Planning



Planning for the Challenges Ahead



Richard J. Bruckner
Director

November 29, 2012

TO: Historical Landmarks and Records Commissioners:
Louis E. Skelton, Chair
Stephen J. Sass, Vice Chair
Yolanda Duarte-White, Commissioner
Elysha Dory, Commissioner
Ivy Sun, Commissioner

FROM: Carmen Sainz, Supervising Planner 
Phillip Estes, AICP, Principal Planner 

SUBJECT: Project No. R2012-02290-(1-5)
Advance Planning Permit No. 201200003
Proposed Mills Act Program
December 14, 2012, Agenda Item 1

Please see the attached draft ordinance for the county's Mills Act program and the county assessor's brochure, "Tax Incentives for Historic Properties." Staff will provide a brief summary of a proposed Mills Act program for county's unincorporated areas.

If you have any questions or comments, please contact Phillip Estes at 213-974-6425 or pestes@planning.lacounty.gov.

CS:PE

ORDINANCE NO. _____

An ordinance amending Title 22 – Planning and Zoning of the Los Angeles County Code to implement the provisions of Article 12 (commencing with section 50280) of Chapter 1 of Part 1 of Division 1 of Title 5 of the California Government Code, commonly known as the "Mills Act," to authorize real property tax reductions for owners of certain qualified historical properties within the unincorporated areas of the County of Los Angeles, provided the owners enter into binding agreements to preserve those properties.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Chapter 22.52 of Division 1 of Title 22 – Planning and Zoning of the Los Angeles County Code is hereby amended by adding Part 26 thereto, to read:

Part 26. Los Angeles County Mills Act Program

22.52.2700 Title for Citation.

The provisions of this Part 26 of Chapter 22.52 shall be known as, and may be cited as, the "Los Angeles County Mills Act Program."

22.52.2710 Purpose and Intent.

A. The purpose of this Los Angeles County Mills Act Program is to implement the provisions of Article 12 (commencing with section 50280) of Chapter 1 of Part 1 of Division 1 of Title 5 of the California Government Code, which provisions are collectively known as the "Mills Act," and Article 1.9 (commencing with section 439) of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code, by enabling real property tax reductions for owners of certain qualified historical properties located within the unincorporated areas of the county, provided the owners enter into binding

agreements with the county to preserve the historic character of these properties, as set forth in this Part.

B. The intent of the board of supervisors in enacting the Los Angeles County Mills Act Program is to provide an incentive for owners of qualified historic properties within the unincorporated areas of the county to rehabilitate and preserve the historic character of properties, thereby providing a historical, architectural, social, artistic, and cultural benefit to the citizens of the county, and to establish a uniform procedure for property owners to follow when applying to participate in the Los Angeles County Mills Act Program.

22.52.2720 Definitions.

For purposes of this Part, the following words and phrases are defined as follows:

A. "Assessed value" means the value of real property as determined by the county assessor for purposes of calculating real property tax. For the purpose of this Part, "assessed value" does not include any portion of the value of a mixed-use structure which is already exempt from payment of property taxes by a determination of the county assessor in compliance with sections 4(b) and 5 of Article XIII of the California Constitution and sections 214, 254.5, and 259.5 of the California Revenue and Taxation Code.

B. "Department" means the department of regional planning of the County of Los Angeles.

C. "Historical property contract" means a contract between the county and the owner of a qualified historical property, as defined in [subdivision (D) of this section],

meeting all the requirements of this Part and of sections 50280 through 50282, inclusive, of the California Government Code.

D. “Qualified historical property” means real property that is:

1. Located within the unincorporated areas of the county;
2. Privately owned;
3. Not exempt from property taxation; and
4. Listed in the National Register of Historic Places or located in a

registered historic district, as defined in Section 1.191-2(b) of Title 26 of the Code of Federal Regulations, or listed in any state or county official register of historical or architecturally significant sites, places, landmarks, or districts, including the California Register of Historical Resources, California Historical Landmarks, and State Points of Historical Interest.

22.52.2730 Program Limitations.

A. The total reduction in unrealized property tax revenue to the county resulting from all executed historical property contracts shall not exceed three hundred thousand dollars (\$300,000) annually, provided, however, that the board of supervisors may approve an annual reduction in property tax revenues greater than three hundred thousand dollars (\$300,000) if it finds that all of the other conditions and requirements of this Part are met.

B. The county shall not enter into more than six historical property contracts in a calendar year, provided, however, that the board of supervisors may approve the execution of historical property contracts in excess of six contracts in a calendar year if it finds that all of the other conditions and requirements of this Part are met.

22.52.2740 Eligibility to Participate in the Los Angeles County Mills Act Program.

A. For a period of three years commencing upon the effective date of this Part, eligibility to participate in the Los Angeles County Mills Act Program shall be limited to the following:

1. A single-family residence which is a qualified historical property and has an assessed value of one million dollars (\$1,000,000) or less at the time of entering into the historical property contract; and

2. A two-family residence which is a qualified historical property and has an assessed value of one million five hundred thousand dollars (\$1,500,000) or less at the time of entering into the historical property contract.

B. Commencing three years after the effective date of this Part, eligibility to participate in the Los Angeles County Mills Act Program shall be limited to the following:

1. A qualified historical property that is eligible to participate in the Los Angeles County Mills Act Program pursuant to [subdivision (A) of this section]; and

2. A building or structure other than a single-family residence or two-family residence which is a qualified historical property and which has an assessed value of three million dollars (\$3,000,000) or less at the time of entering into the historical property contract.

C. The board of supervisors may approve a historical property contract for a property not otherwise meeting the eligibility requirements contained in this section only if the board of supervisors finds that the property is a qualified historical property, meets all the requirements of [section 22.52.2780], and is especially deserving of a contract

due to the exceptional nature of the property or is subject to special circumstances indicating that approval of the contract is appropriate or necessary to carry out the purpose and intent of this Part.

D. A person applying to participate in the Los Angeles County Mills Act Program shall furnish the county with any information the county shall require in order to enable it to determine the eligibility of the property involved.

22.52.2750 Establishment of Application and Administrative Guidelines; Form Contract; Priority Consideration.

A. The director, in consultation with the County Historical Landmarks and Records Commission, shall develop and maintain an application to participate in the Los Angeles County Mills Act Program and shall issue administrative guidelines for implementation of the application, review, and contracting process.

B. The director, or the director's designee, shall maintain a form historical property contract, which shall be approved by the board of supervisors, for use in connection with all historical property contracts executed pursuant to this Part. The form historical property contract may be amended by the director, with approval as to form by county counsel, on an application by application basis if the director deems such amendment necessary and appropriate to carry out a proposed preservation or restoration project. Any amended historical property contract executed by the director pursuant to this [subdivision] shall comply with all of the provisions of this Part.

C. Priority Consideration. The board of supervisors recognizes that each qualified historical property located within the unincorporated areas of the county provides unique historical, architectural, social, artistic, and cultural benefits to the

citizens of the county. The board of supervisors further recognizes, however, that the program limitations set forth in [section 22.52.2730] necessitate the establishment of criteria by which a qualified historical property that is the subject of an application to participate in the Los Angeles County Mills Act Program may receive priority consideration over other applications. Therefore, the department, in consultation with the County Historical Landmarks and Records Commission, shall establish such priority consideration criteria, which shall set forth at a minimum the nature of each criterion, the information necessary to satisfy each criterion, and how a criterion is weighted.

Section 22.52.2760 Application Procedure.

A. An owner of a qualified historical property may file an application with the department for approval of a historical property contract. The owner shall pay a non-refundable application processing fee as set forth in [Chapter 22.60 of this Title 22], which fee shall be paid prior to the processing of the application.

B. Upon receipt of an application, the director shall determine whether the property is eligible to participate in the Los Angeles County Mills Act Program and whether approval of the proposed historical property contract complies with the provisions of this Part. The director shall also evaluate the application in accordance with the administrative guidelines and priority consideration criteria established pursuant to [section 22.52.2750], and any other consideration criteria established by the director consistent with the provisions of this Part. The director may request any additional information from an applicant that the director deems appropriate or necessary to evaluate the application.

C. The director shall approve or deny an application to enter into a proposed historical property contract, or conditionally approve an application subject to modifications as it deems necessary or appropriate to advance the purpose and intent of this Part. Notwithstanding the eligibility of a property to participate in the Los Angeles County Mills Act Program, the director may deny an application based on the director's evaluation of the administrative guidelines and priority consideration criteria established pursuant to [section 22.52.2750], or any other criteria established by the director consistent with the provisions of this Part, or if the director deems that execution of the proposed historical property contract will not advance the purpose and intent of this Part. The director shall deny an application if entering into the proposed historical property contract would be inconsistent with the program limitations set forth in [section 22.52.2730] or if the property that is the subject of the application is not eligible to participate in the Los Angeles County Mills Act Program.

D. Upon approval of an application, the director, on behalf of the county, shall enter into a historical property contract with the owner if all of the conditions of this Part are met. As a condition of entering into a historical property contract, the owner of a property selected for participation in the Los Angeles County Mills Act Program shall pay a one-time, non-refundable contract execution fee as set forth in [Chapter 22.60 of this Title 22]. Within 20 days of execution of the historical property contract, the owner shall pay all required recordation and inspection fees, as set forth in the contract.

Section 22.52.2770 Exemptions.

A. As part of an application to participate in the Los Angeles County Mills Act program, the owner of a qualified historical property may request an exemption from the

program limitations set forth in [section 22.52.2730] or the eligibility requirements set forth in [section 22.52.2740]. The director shall review the application containing the exemption request and make a recommendation to the board of supervisors for the approval or denial of the requested exemption. The board of supervisors may approve the requested exemption pursuant to [subdivisions (A) or (B) of section 22.52.2730 or subdivision (C) of section 22.52.2740] only after making the findings required by each such applicable subdivision.

B. An owner requesting an exemption pursuant to this section shall pay a processing fee in an amount determined by the executive officer-clerk of the board of supervisors to be ample to cover the cost of a hearing to be held by the board of supervisors. The owner shall also pay a processing fee in the amount of \$817.00 to be applied to the department to cover the costs of the exemption request.

Section 22.52.2780

Required Provisions of Historical Property

Contracts; Extension or Non-Renewal of Contract.

A. Any contract entered into pursuant to this Part shall contain the following provisions:

1. The term of the contract shall be for a minimum period of ten years.
2. Where applicable, the contract shall provide the following:
 - a. For the preservation of the qualified historical property and,

when necessary, to restore and rehabilitate the property to conform to the rules and regulations of the Office of Historic Preservation of the California Department of Parks and Recreation, the United States Secretary of the Interior's Standards for Rehabilitation, the California Historical Building Code, and any rules and regulations

promulgated by the county regarding the restoration and rehabilitation of historical properties.

b. For the periodic examination of the interior and exterior of the premises of the property by the county assessor, the State Department of Parks and Recreation, the State Board of Equalization, and the county, as may be necessary to verify the owner's compliance with the contract agreement, and to provide any information requested to ensure compliance with the contract agreement.

c. For it to be binding upon, and inure to the benefit of, all successors in interest of the owner. A successor in interest shall have the same rights and obligations under the contract as the original owner who entered into the contract.

3. After five years, and every five years thereafter, or on any more frequent basis the department deems necessary or desirable to achieve the purpose and intent of this Part, the county shall inspect the interior and exterior of the premises to determine the owner's continued compliance with the contract.

B. Each contract entered into pursuant to this Part shall also provide that on the anniversary date of the contract or such other annual date as is specified in the contract, a year shall be added automatically to the initial term of the contract unless notice of nonrenewal is given as provided in this Part. If the property owner or the county desires in any year not to renew the contract, that party shall serve written notice of nonrenewal of the contract on the other party in advance of the annual renewal date of the contract. Unless the notice is served by the owner at least 90 days prior to the renewal date or by the legislative body at least 60 days prior to the renewal date, one year shall automatically be added to the term of the contract. Upon receipt by the

owner of a notice from the county of nonrenewal, the owner may make a written protest to the county of the notice of nonrenewal. The county may, at any time prior to the renewal date, withdraw the notice of nonrenewal. If the county or the owner serves notice of intent in any year not to renew the contract, the existing contract shall remain in effect for the balance of the period remaining since the original execution or the last renewal of the contract, as the case may be.

Section 22.52.2790 Recordation and Notice of Contract.

No later than 20 days after the county enters into a contract with an owner pursuant to this Part, the department shall record with the county recorder a copy of the contract, which shall describe the property subject thereto. From and after the time of the recordation, the recorded contract shall impart a notice thereof to all persons as is afforded by the recording laws of the State.

Section 22.52.2800 Contract Cancellation.

A. If the county determines that the owner has breached any of the conditions of the contract entered into pursuant to this Part or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property, the county shall do one of the following:

1. Cancel the contract in accordance with the procedures specified in [this section].
2. Bring any action in court necessary to enforce a contract, including, but not limited to, an action to enforce the contract by specific performance or injunction.

B. No contract shall be canceled under [this section] until after the county has given notice of, and has held, a public hearing on the matter. No later than [30 days]

prior to the public hearing, notice of the hearing shall be mailed to the last known address of each owner of the qualified historical property, shall be published pursuant to sections 6060 and 6061 of the California Government Code, and shall be posted at the property in compliance with subdivisions (A) through (F), inclusive, of [section 22.60.175.] The public hearing may be initiated by the director and conducted by a hearing officer pursuant to [section 22.60.176.] Within 10 working days of the public hearing, the hearing officer shall make a finding whether the owner has breached any of the conditions of the contract entered into pursuant to this Part or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property. If the hearing officer finds that the owner has breached any of the conditions of the contract or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property, the hearing officer shall declare the contract canceled. Also within 10 working days of the public hearing, the hearing officer shall mail notice of any action taken to the last known address of each owner of the qualified historical property and to the persons identified in [subdivision (B) of section 22.60.190.]

C. If a contract is canceled pursuant to the provisions of [this section], the owner shall pay a cancellation fee equal to 12 1/2 percent of the current fair market value of the property, as determined by the county assessor as though the property were free of the contractual restriction. The cancellation fee shall be paid to the county auditor, at the time and in the manner that the county auditor shall prescribe, and shall be allocated by the county auditor to each jurisdiction in the tax rate area in which the property is located in the same manner as the auditor allocates the annual tax

increment in that tax rate area in that fiscal year. Revenue received by a school district and the county superintendent of schools pursuant to [this subdivision] shall be subject to the provisions of subdivision (c) of section 50286 of the California Government Code.

D. As an alternative to cancellation of the contract for breach of any condition, a landowner that is a party to a historical property contract may bring any action in court necessary to enforce a contract, including, but not limited to, an action to enforce the contract by specific performance or injunction.

E. In the event that property subject to a contract under this Part is acquired in whole or in part by eminent domain or other acquisition by any entity authorized to exercise the power of eminent domain, and the acquisition is determined by the county to frustrate the purpose of the contract, such contract shall be canceled and no fee shall be imposed under [subdivision (C) of this section]. Such contract shall be deemed null and void for all purposes of determining the value of the property so acquired.

F. In the event a qualified historical property is demolished, destroyed, or significantly altered pursuant to section 5028 of the California Public Resources Code due to a natural disaster, including, but not limited to, an earthquake, fire, or flood, any historical property contract pertaining to the demolished, destroyed, or significantly altered property shall be canceled and no fee shall be imposed under [subdivision (C) of this section].

22.52.2810 Appeals.

Notwithstanding any other provision in this Title 22, there shall be no right of appeal by an owner or any other person with respect to a decision or finding made or action taken by the director or a hearing officer pursuant to this Part.

SECTION 2. Section 22.60.100 of Chapter 22.60 of Division 1 of Title 22 – Planning and Zoning of the Los Angeles County Code is hereby amended to read as follows:

Section 22.60.100 Filing Fees and deposits.

A. For the purpose of defraying the expense involved in connection with any application or petition required or authorized by this Title 22, the following fees shall accompany the application or petition:

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— Interim Management Permits for Surface Mines — \$1,449.00.

— Los Angeles County Mills Act Program, Application Fee — \$[]

— Los Angeles County Mills Act Program, Contract Execution Fee — \$[]

— Minor Conditional Use Permits — \$1,449.00, except that where a public hearing is requested pursuant to Section 22.56.075, an additional fee of \$7.012.00 shall be paid.

...



Tax Incentives For Historic Preservation



Convenient Locations

Main Office

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 225
Los Angeles, CA 90012-2770
1.888.807.2111

North District Office

13800 Balboa Boulevard
Sylmar, CA 91342
818.833.6000

South District Office

1401 E. Willow Street
Signal Hill, CA 90755
562.256.1701

East District Office

1190 Durfee Avenue
South El Monte, CA 91733
626.258.6001

West District Office

6120 Bristol Parkway
Culver City, CA 90230
310.665.5300

Lancaster Regional Office

251 E. Avenue K-6
Lancaster, CA 93535
661.940.6700

Van Nuys Satellite

14340 Sylvan Street
Van Nuys, CA 91401
818.901.3455

assessor.lacounty.gov

or

lacountypropertytax.com

What is the Mills Act Program?

The Mills Act is an economic incentive program in California for the restoration and preservation of qualified historic buildings by property owners. Enacted in 1972, the Mills Act legislation grants participating cities and counties the authority to enter into contracts with owners of qualified historic properties who actively participate in the rehabilitation, restoration, preservation, and maintenance of their historic properties. The Mills Act permits property tax relief to offset these costs.

Mills Act contracts are for an initial term of 10 years. A contract automatically renews each year on its anniversary date and a new 10-year agreement becomes effective, creating a "rolling" contract term that is always equal to the initial contract term.

How does the property tax relief work?

After a property owner enters into a contract, the county assessor will annually determine the value of Mills Act properties based upon a prescribed capitalization rate as provided for in Revenue And Taxation Code section 439.2 (b) or (c). This is the restricted value. The county assessor then compares this restricted value to the current market value and the factored base year value (also known as the "Proposition 13" value). The lowest of the three values is then enrolled.

What is a qualified historic property?

A qualified historic property is a property listed on any federal, state, county, or city register, including the National Register of Historic Places, California Register of Historical Resources, California Historical Landmarks, State Points of Historical Interest, and locally designated landmarks. Owner-occupied family residences, multi-family complexes, and income-producing commercial properties may qualify for the Mills Act program, subject to local regulations.

The restricted value can be considerably lower than the other values creating a tax savings for the property owner. Since all properties are assessed annually, Mills Act properties may undergo increases or decreases in property taxes each year as market conditions change.

For more information, please see the State Board of Equalization Guidelines provided for use in assessing properties under the Mills Act. www.boe.ca.gov/proptaxes/pdf/lta05035.pdf

How do buildings qualify for the Mills Act?

In order to qualify, the structure must be a designated historic building. The designation can be at the local, state, or national level. As a general rule, to qualify as historic, a building must be at least 50 years old and be a good example of a particular architectural style or be associated with a person or event of local, statewide, or national historic importance.

How can I get my property registered or find out if my property qualifies for the Mills Act Program?

Each city and county may have different procedures for local historic designation. Contact the Planning Department or Community Development of your local government to confirm whether they participate in the Mills Act Program, the criteria that would need to be met, and the application process. Your building may already be considered a contributing structure to an established historic area. Also, many buildings that were not designated as historic on past surveys may now be eligible to qualify as historic.

If my property is on a historic register, do I automatically qualify for the reduced property taxes?

No, you must enter into a contract with your local government and that contract has to be signed and recorded before the county assessor can annually apply the restricted valuation method.

Is there a cost to placing my property on a Mills Act contract?

There is an administrative cost associated with filing the paperwork. Local governmental agencies will differ somewhat in their fees.

Frequently Asked Questions:

Q. I am disappointed that my city does not participate in the Mills Act Program. Why don't all the cities in California have such a program?

A. Each municipality must adopt the Mills Act and must make the decision to offer this preservation program. Historic preservation is included in the general plan of some cities as a revitalization tool which can also bring cultural tourism and local reinvestment. Some cities or counties may not have the same needs for such a program.

Q. My property or a property I am considering buying is already under a Mills Act contract. What does that mean to me as a property owner?

A. Mills Act contracts are for 10 years initially with automatic yearly renewal, and the contract stays with the property when transferred. Subsequent owners are bound by the contract and have the same rights and obligations as the original owner who entered into the contract. Because the local government and the property owner negotiate other specific terms of the contract, you should contact your local government to determine the rights and obligations a Mills Act contract creates.

Q. I am planning to buy a property under a Mills Act contract for \$500,000 that is currently assessed for \$350,000. Will I receive a supplemental bill for the change in ownership?

A. No. Even though the county assessor is required to establish a new base year value for property upon a change of ownership, supplemental assessments are not enrolled for properties under the Mills Act contract. Establishment of the new base year value merely enables the county assessor to perform a three-way value comparison and to calculate the assessed values if the Mills Act contract enters non-renewal status.

Q. I want to add on a family room to my home which is under a Mills Contract. How will this affect my assessed value?

A. Since the new construction would not qualify as historical the market value of new construction (room addition) will be added to the restricted value of the property to arrive at a new assessed value.

Q. Under a Mills Act contract, will I have to open my home for inspection by city or county officials?

A. Under legislation enacted on September 7, 2011, the city must inspect the property prior to entering into a Mills Act contract with a property owner, and conduct interior and exterior inspections every 5 years thereafter to determine the owner's continued compliance with the contract.

Q. Once my contract is recorded, will my property be reassessed as of that day?

A. No. Your property will be assessed on the lien date (January 1) of the next calendar year in which your contract was recorded. You should see the tax benefits beginning the ensuing fiscal year.

Q. I purchased a historical property that is in need of considerable renovation, will the reconstruction of it be considered "new construction"?

A. The Mills Act contract typically specifies the scope and type of any work to be performed on the historical improvements. This work would not be considered new construction and are subject to the valuation procedures of section 439.2, unless said work constitutes a change in the use of the property, or is sufficient in scope to constitute a "Major Renovation" to an "as new" property. Such work would result in additional assessed value, but would still receive the benefit of the Mills Act assessment method. One other type of new construction that could be eligible as reconstruction under the Mills Act contract is when the new construction is "accurately executed in a suitable environment and presented in a dignified manner as part of a restoration master plan, and when no other building or structure with the same association has survived."

I still have questions about the Mills Act. Where can I get additional information?

If you still have questions regarding the property tax benefits of the Mills Act, you may call the State Board of Equalization at 916-274-3350. You may also contact your local governmental agency that administers the program in your city or county or you may call the California Department of Parks and Recreation's Office of Historic Preservation at 916-653-6624. Additional information on the Mills Act is available from the Office of Historic Preservation's website at www.ohp.parks.ca.gov. You may also contact the Los Angeles County As-

Q. I just purchased a property that has been under a Mills Act contract for many years. I'm thinking of not renewing the contract. What do I need to do?

A. You must serve written notice of non-renewal of the contract at least 90 days prior to the anniversary renewal date, otherwise one year will automatically be added to the term of the contract (if the local government decides not to renew, they need only provide a 60-day notice). The existing contract will remain in effect for the balance of the period remaining since the original execution or the last renewal of the contract. The first year of non-renewal will have nine remaining years.

Q. Will I still receive property tax benefits once I provide notice of non-renewal?

A. You may still receive tax benefits; however, the maximum tax benefits will be reduced each year as the historical property assessed value gradually approaches the factored base year value (Proposition 13) as the remaining term under the contract decreases.

Q. What are the consequences if I decided to cancel my Mills Act contract?

A. You would be required to pay a cancellation fee equal to 12.5 percent of the current fair market value of the property (not your restricted value). Your property will then be assessed at the lower of the factored base year value or current market value for the ensuing lien date.

Alternatively, your local legislative body may take court action to enforce the contract, such as requiring specific performance or injunction.

Q. Would I have to pay the 12.5 percent cancellation fee if the planning department cancelled my Mills Act contract?

A. If the contract was cancelled for reasons other than a breach of the contract by you, a cancellation fee will not apply.

Q. I haven't had time to work on my property for a while. Can the planning department cancel my contract because they say my property has deteriorated and no longer meets the standards of a historical property?

A. Yes. This can be considered a breach in the contract and the municipality can cancel your contract. You will also be penalized with a 12.5 percent cancellation fee. Alternatively, you may be able to make arrangements with your local agency to continue with the restoration work.

**Si desea ayuda en Español,
llame al número
1.888.807.2111**